

WINNING WITH THE BEST



Auto Parts Plus

UNI-SELECT'S OBSERVATIONS ON AXALTA COATING SYSTEMS LTD.'S REMARKS ON THEIR DISTRIBUTION STRATEGY IN NORTH AMERICA DURING THEIR Q2 2017 EARNINGS CALL ON AUGUST 3, 2017

August 4, 2017



Over the last day we have received a number of questions of clarification from both analysts and investors as a result of the Axalta analyst conference call. We are more than happy to share the insight into the market and have also discussed these responses with Axalta to provide alignment for our mutual shareholders.

In summary, Uni-Select considers that Axalta's announced modifications in their distribution strategy in North America should not have a material impact on Uni-Select, on a consolidation basis, for the following reasons.

Reasons

1) Decreased inventory in the quarter, due to big distributors reducing working capital

- We are extremely well positioned to support our customers' needs. Our focus is on fill rates and not on a specific inventory dollar target. We manage fill rates and inventory turns by item and there is no initiative to reduce fill rates.
- We will always look to optimize these levels to ensure our customers are satisfied, balanced with the appropriate level of working capital. That may look different at a supplier's level quarter to quarter and could vary for each supplier.

2) Distributor Consolidation

- There has been distributor consolidation in the industry and we are proud to say we have been a leader in this area. The consolidation is very much supported by the manufacturers to ensure that the distributors that sell, do so into friendly hands. So the paint manufacturers are very aware and supportive.
- Additionally, although slightly different by paint manufacturers in general, the ones that support large MSOs highly value a larger distributor who can support the MSOs in multiple geographies. This helps provide a consistent approach to the manufactures and MSOs as it reduces the service relationships that need to be managed and provides a consistent service offer and approach.

Reasons, cont'd

3) Paint Pricing

- The distributor manages pricing to the independent collision repair centres. We do so as a combined package with paint as well as all the allied products the body shop needs to operate. The exception to this is the large MSOs.
- The large MSOs negotiate directly with all the paint manufacturers. The distributor then provides a service package that is appropriate for each MSO. The distributor directly prices all the allied product needs to support the body shops, both independent and MSOs.

4) Distributor Pricing – Axalta

- Our program with Axalta remains the same. We have worked very closely with Axalta to build a service model to effectively service the MSOs. This is a program we have been describing for over 2 years now. This is a menu-driven program that ensures we balance the services that we provide and those Axalta provides.
- Our margins reflect the service we provide and ensures there is no duplication of effort between Axalta and ourselves. As an example, if we provide technical support, we get paid for it. If Axalta provides the technical support, then we do not. In that case, the margin goes down but so does our cost as we do not deploy our technician. This is an efficient win-win program as we work together to effectively service customers.
- This would be similar for our other paint manufacturers.
- Our relationships with our paint manufacturers are strong and very collaborative as we work together to service the end user collision repair centres.

Contact

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Forward-looking statements

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